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CITY OF TORONTO

BRIEF

TO THE ONTARIO COMMITTEE ON TAXATION



JUNE, 1964

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Preface

When regard is had for the purposes they serve and their relative role as consumers of income, today's municipal taxes, like many other things and, indeed people themselves, are neither all good nor all bad.

These taxes must be praised for their indication of our willingness to live with each other in an intelligent society, making joint outlays for our common good and providing services for the communal benefit. They are commendable for their naked, lump-sum honesty, psychologically poor though this trait is from the Tax Collector's point of view. They are unequivocal in proclaiming their base, composition and purpose.

But they have their points of just criticism. Their one-shot, total-amount nature is heavily brutal to some, though instalment payment plans achieve some amelioration of this. More seriously, they are not based upon ability to pay. Other governmental imposts are not, either, but then these are not usually so optionless an obligation. Most of all, though, what purports to be a property tax is, in a large and ever-growing degree, a levy for personal services, quite unrelated to property. In the pages that follow major emphasis is given to the unfairness of this improper allocation of financial responsibility. It is sincerely believed that the justification for taking remedial action, perhaps along the lines suggested, will outweigh any natural tendency to maintain the outmoded status quo.

Summary

Provincial legislation that deals with municipal house-keeping, including the financial aspects thereof, is, unless especially tailored, of general application to all municipalities. In the material which follows a real attempt has been made to bear in mind this broad aspect of matters affecting local government, even though the points raised, the evidence presented and the remedies suggested are based upon conditions and statistics prevailing in the City of Toronto - our most familiar ground and area of prime concern.

Over many years, municipalities have been serious and persistent in their efforts to find escape from their financial straitjacket - dependency to an unsound degree upon realty taxes for the great percentage of their revenue. These efforts have achieved a measure of welcome response from time to time. Unfortunately, out of it all, no permanent cure has come.

Some local governments, elsewhere in this country and in other lands, have been provided with a substantial measure of revenue from non-property sources. To the extent that such income is related to economic growth and the changing cost of living, as well as imposing some charge upon those from outside the municipal boundaries who utilize the services provided, it is a justifiable transfer of or supplement to the responsibility placed upon property. At best, however, such "sharing" of costs is neither a full nor satisfactory answer to spiralling mill rates. Municipalities with some form of non-property tax income are not free from problems. Is there, then, some other answer?

In this Brief the view is expressed that the chief troublemaker in municipalities is the burdening of property with non-property costs and that a lasting solution can come only if property is relieved of a major portion of these costs. It is submitted that non-property services consist of education and public libraries, welfare and housing, health and hospitals. (A good case can be made for including others, such as recreation.) Other matters requiring attention are also set out.

Recommendations

Out of consideration of the problems of sufficiency of municipal revenues and the suitability of their sources - or lack of source, in some cases - has come the following recommendations:

1. Real property be relieved of the major portion of the cost of six non-property services. These services accounted for \$63,387,613, or one-half of the total tax levy in 1963 of \$126,179,747. Education alone made up \$53,105,081. See pages 5 to 12 for details.
2. Payments in lieu of taxes by the Province should be equal to full taxes. Page 15.
3. The Province to make grants in lieu of full municipal taxes with respect to properties used for educational purposes by Universities and like institutions. Page 15.
4. Properties owned or held by Universities which are not directly utilized for educational purposes should be assessed and taxed for full realty taxes. Page 16.
5. Tax exemption of certain parking facilities be removed. Page 16.
6. That Cultural and Service Organizations pay for municipal services provided or that the Province make grants therefor. Page 17.

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7. Remove the limitation in The Assessment Act respecting taxation of telephone companies on their gross receipts. Page 18.
8. Amend the basis for distribution in the Metropolitan Toronto area of the Unconditional Per Capita Grant. Page 19.
9. Enactment of requested amendment of The Municipal Act in respect of interim tax billing. Pages 20 and 21.
10. Provide for taxation of Harbour properties and facilities. Pages 21 and 22.
11. Improvement of security for business taxes and other business tax matters. Pages 22, 23 and 24.
12. Amend The Assessment Act with respect to certain appeals for cancellation, reduction or refund of taxes now made under Section 131. Page 25.
13. Include redevelopment of blighted areas for industrial or commercial purposes in projects eligible for Federal-Provincial assistance. Page 26.
14. Provincial grants to urban centres be based upon the same ratio of assistance that applies to other municipalities. Pages 27 and 28.
15. Return to municipalities some of the increase in value of properties brought about by the expenditure of municipal funds. Page 29.
16. Obtain legislative amendments to permit assessing the residential portion of farm properties on a basis of parity with other residential realty. Page 30.

Text

At the outset it is believed important to state that the very nature of municipal levies, as direct and lump sum imposts, are both their virtue and their weakness. Homeowners are never in doubt as to the cost of their annual membership in the communal organization. They are just as aware that their membership "fee" is not determined in accordance with ability to pay but is nevertheless, compulsory upon them.

In essence, the question of municipal tax levies has two main subdivisions, viz.:

1. Are all the responsibilities presently allocated to local governments, including boards, commissions and authorities thereof, properly theirs?
2. Are the bases upon which levies are made to produce revenue for the discharge of the abovementioned responsibilities adequate and equitable?

Local Government Responsibilities

With great sincerity of belief and soundness of argument municipalities and municipal organizations have, for years, disputed the point of view that assigns to local governments, and to real estate in particular, financial responsibility for matters of undoubted Provincial and Federal benefit and concern - the rights and entitlements of people as citizens. Raising the point again here is but for the all too necessary need for reiteration. This Brief, therefore, urges relieving real property of the major portion

of the costs of education, including public libraries; health, including hospitalization; welfare, including housing.

Some expatiation of the ever-increasing burden placed upon the taxpayers of the City of Toronto, as reflected solely in their bills for local taxes, will highlight the growing seriousness of what it means to continue having to provide the aforementioned services.

Education

<u>Elementary</u>	<u>Gross Cost</u>	<u>%</u>	<u>Provincial Aid</u>	<u>%</u>	<u>Tax Levy</u>	<u>%</u>
1963	\$47,978,458	100	\$12,477,218	26.0	\$33,915,850	70.7
1953	<u>16,530,586</u>	<u>100</u>	<u>2,351,429</u>	<u>14.2</u>	<u>13,829,216</u>	<u>83.7</u>
Increase	<u>\$31,447,872</u>	<u>100</u>	<u>\$10,125,789</u>	<u>32.2</u>	<u>\$20,086,634</u>	<u>63.9</u>
<u>Secondary</u>						
1963	\$27,469,856	100	\$ 6,305,976	23.0	\$19,189,231	69.9
1953	<u>10,044,619</u>	<u>100</u>	<u>1,200,100</u>	<u>11.9</u>	<u>7,728,593</u>	<u>76.9</u>
Increase	<u>\$17,425,237</u>	<u>100</u>	<u>\$ 5,105,876</u>	<u>29.3</u>	<u>\$11,460,638</u>	<u>65.8</u>

Notes:

1. Provincial aid plus tax levy do not equal gross cost. The difference is occasioned by miscellaneous revenues and surpluses, or deficits, from prior years.
2. The figures for Provincial aid in 1963 include the City's share of grants paid to the Metropolitan Toronto Board of Education.
3. Mill rates have increased over this decade but to show them could be misleading. Much of the City's increase in assessment has come about as the result of revision of values and not new growth. Thus, tax increases can be due to more than higher rates and be quite apart therefrom.

As a more specific case in point there is recited the increased emphasis being placed upon technical education. The notable contributions of the senior governments in the construction of the necessary plant is acknowledged. Still, the major cost connected with the staffing and operation of these schools falls on local shoulders. Likewise, a greater emphasis is being placed upon having young people remain in school longer and the Federal Government is actively encouraging this move by extension of the age of eligibility for family allowances. A very considerable portion of the extra costs attached to these creditable efforts to increase the level of education falls upon real estate, even though local policy decisions are not involved.

A further, always taken-for-granted but never defined, municipal contribution is the tax-producing potential, in private hands, of the realty utilized for tax-exempt educational purposes. The assessed value of school property, other than that of the University of Toronto (which is dealt with later) amounted, in Toronto, to \$64,109,554 for 1963. Taken at the residential tax rate only a tax-equivalent figure of \$4,179,943 is arrived at.

Public Libraries

Just after the turn of this century the furtherance of education and relaxation - through the use of readily available books of many kinds and at low cost to the individual - received a great impetus in Toronto because of grants from the Andrew Carnegie Foundation. Normal desire to keep pace with demand has brought about a tremendous change in this service, very largely at the City's expense, even though the advantages provided have benefited

residents of an area vastly greater than that of the City of Toronto. The Province has made some growing though still relatively small contribution. Bearing in mind, here and later, that the City's additional but indirect contribution because of the tax-exempt use of land is not included, the last decade's change in costs, and the sharing thereof, is as follows:

	★ <u>Gross Cost</u>	<u>%</u>	<u>Provincial Aid</u>	<u>%</u>	# <u>Tax Levy</u>	<u>%</u>
1963	\$2,898,245	100	\$197,183	6.8	\$2,444,135	84.3
1953	<u>1,247,628</u>	<u>100</u>	<u>50,000</u>	<u>4.0</u>	<u>1,065,192</u>	<u>85.4</u>
Increase	<u>\$1,650,617</u>	<u>100</u>	<u>\$147,183</u>	<u>8.9</u>	<u>\$1,378,943</u>	<u>83.6</u>

Notes:

- ★ Provincial aid plus tax levy do not equal gross cost. The difference is occasioned by miscellaneous revenues and surpluses, or deficits, from prior years.

		<u>1963</u>	<u>1953</u>
#	Statutory @ 50¢ per capita	- \$ 321,117	\$ 333,682
	Voluntary	- <u>2,123,018</u>	<u>731,510</u>
		<u>\$2,444,135</u>	<u>\$1,065,192</u>

Health

Definite points of termination can be assigned to roads, sewers or watermains. The causes and incidence of sickness and disease cannot be so limited. Opportunities for healthful living cannot properly be deemed the prerogative of the residents of any one place. Yet, in this day, the public preventative measures employed remain those decided by local judgment. Of the thirteen Metropolitan area municipalities, for example, only the City of Toronto conducted inspection of dairy herds supplying milk to this

area. Of recent date, the financial responsibility for this work has successively gone from the City to Metro to the Province. But other variations remain.

To the extent that sickness is prevented or minimized, the provision of expensive hospital accommodation, which is not necessarily provided nor supported in accordance with local need, is not required.

Toronto has a local Board of Health which cost \$3,089,743 in 1963 as against \$2,335,000 in 1953. No financial aid comes to this City from the Province but its legislation causes local tax burdens. Where Health Units exist, such as the one serving both the Township of East York and the Town of Leaside, a high percentage of the cost is Provincially borne.

Hospitals

In Toronto there are a large number of hospitals which serve far more than the residents of this City or even the Metropolitan area. The City has made substantial contributions towards the erection and operation of many of them, particularly on its own but also through the Metropolitan Corporation. In addition to everything else, and as a continuing form of aid, these hospitals receive the full benefit of services provided by the City without cost to them. The assessed value of these tax-exempt properties, excluding the Provincial Psychiatric Hospital, as determined in 1962, was \$35,596,270. At only the residential rate of 65.2 mills this represented the tax equivalent of \$2,320,877.

There is no orderly plan whereby hospital needs are determined and new construction or additions undertaken. Of the

present ones some are private and others public; some are municipally assisted, others municipally operated.

It is strongly believed that:

1. The Ontario Hospital Services Commission should be the sole body responsible for determination of the quantity and kind of hospital accommodation from time to time required and the most advantageous location thereof.
2. Capital costs, other than those met by Federal contributions, should be paid for from loans from the Provincial Government, the repayment of such loans being a charge against hospital revenue. The premium rates now chargeable for hospitalization insurance would require adjustment accordingly.
3. That no part of hospital care should be a municipal responsibility.

Welfare

Certain centres are lodestones for attracting people looking for work or who, without hope, seek the anonymity, yet means for subsistence, found only in highly-populated areas. This applies very much to Toronto, with its industrial and commercial complex, its rooming houses, its charitable and welfare institutions - the last being also tax-exempt. This care of the individual - as opposed to the concept of service for the entire community - has been particularly burdensome to the ratepayers of this City.

It is perhaps not sufficiently known

1. That 80,000 homes in this City, or 80% of the total, have an

averaged assessed value of only \$3,500 and that the income of the owners thereof is on the same relative plane.

2. That persons receiving Welfare assistance here, which is rechargeable to some other municipality, nevertheless add considerably to the costs of this City - which are not rechargeable - for education, health, police and fire protection, administrative expenses, etc.

Housing

Toronto has been to the forefront in the realm of public housing. As pioneers it has incurred heavier than usual costs. In particular, wartime housing proved to be expensive, which is generally true where circumstances force the continuance of a service long after its original purpose has been served. In every instance but one, whatever aid has come from the senior levels of government has been towards the cost of constructing such housing. Once, this aid took the form of a gift - for the Regent Park North Project. Usually it is in the nature of mortgage loans which are subject to rather obtrusive and restrictive overseeing stipulations. The exception noted above was the conditional grant of the Province, in the substantial amount of \$903,000, for the reduction of the rents of certain tenants-to-be of the soon-to-be-opened Moss Park Limited Dividend Housing Project who would be qualified for assistance by virtue of their low income. While there has been appreciated subsidization of part of the cost of the site of the Moss Park Project, the City, on the other hand, contributed materially (more than \$3,500,000, including interest charges) to the land acquisition cost of the Federal-Provincial Regent Park

South Project.

All housing accommodation provided under the auspices of the City's Housing Authority and Limited Dividend Housing Corporation pays full taxes, including Sales Taxes. The operations of the Metropolitan Toronto Housing Authority and the Metropolitan Toronto Limited Dividend Housing Corporation Limited are but partially charged with the amount levied as municipal taxes. There is thus the anomaly of some public housing subsidizing other such housing, at the disproportionate expense of the City of Toronto ratepayer.

The problems of a statutory nature afflicting public housing are something by themselves. The justification for the present financial involvement of municipalities in the social problem of providing suitable living accommodation for needy inhabitants of this country needs most careful reconsideration.

Recommendation: Real property be relieved of the major portion of the cost of the foregoing six non-property services.

Revenue Sources

Earlier mention was made of the well-known fact that municipal tax levies are not predicated upon ability to pay. Neither are they determined by the extent of services required by any one person or even, except for owners' share of local improvements or specific improvement areas, by any one segment. Can the answer, then, to the present problem of mounting demands against property, particularly for non-property services, be found in practical fashion?

The most burdensome services, in our view, of a non-property nature have been enumerated precedingly and suggestions made for the transfer of responsibility for the greater part of the cost.

Most American states provide their municipalities with opportunities to find a material part of their total income from a variety of non-property sources, notably sales tax and payroll tax. The productivity and efficacy of these income sources to the City of Toronto would be dependent, as are so many other matters, upon their uniform application over the entire Metropolitan Toronto area. The loss to municipalities of income tax, withdrawn years ago, deprived them of a source of non-property revenue that could have been very substantial today. It cannot be fairly determined whether the much increased Provincial aid, in its many forms, represents an adequate replacement, amount-wise. In any event, revenue of an indirect, and mostly conditional, nature has replaced a form of direct and unconditional income responsive to the economy.

Tax-Exempt Assessment

The assessment for 1964 taxation shows this City with a taxable assessment of \$1,887,614,542 and an exempt assessment of \$466,613,023. The latter figure, which is equal to 24.7% of the former, does include not only municipal holdings but also property of the Crown in the right of Canada and Ontario, as well as Crown corporations or agencies in respect of which certain payments in lieu of taxes are made to the City. Groupings and assessed values are as follows:

Making in-lieu payments equal to

Full realty and business taxes:

Hydro-Electric Power Comm'n. of Ontario	\$ 7,170,422	
Provincial Agencies	<u>4,613,549</u>	\$ 11,783,971

Full realty taxes:

Crown - Canada	\$24,514,305	
Federal Agencies	<u>1,531,225</u>	26,045,530

Partial realty taxes:

Crown - Ontario		<u>34,729,690</u> ✓
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		\$ 72,559,191
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Municipal holdings

City of Toronto	\$64,404,333	
" " " - C.N.E.	13,654,430	
Tax-supported School Boards	69,765,580	
Public Library Board	2,113,714	
Metropolitan Toronto	27,626,475	
Other Municipalities	21,677	
T.T.C. (subways & structures)	<u>12,777,961</u>	190,364,170

Others

Toronto Harbour Commissioners	\$28,850,176	
Provincial Institutions	3,289,032	
Universities	56,902,824	
Independent Educational Institutions	4,235,022	
Service and Welfare Agencies	3,270,323	
Recreational Agencies	3,141,634	
Cultural Institutions	2,741,155	
Burial Grounds	5,432,677	
Hospitals	48,834,943	
Churches & Other Religious Institutions	43,891,541	
Sundry Non-Profit Organizations	2,505,015	
Foreign Governments	<u>595,320</u>	203,689,662

		<u>\$466,613,023</u>
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Provincial Payments in-Lieu

On properties of the Crown in the right of Ontario municipalities receive the tax equivalent of the rate for general purposes only, applied to Provincially-approved assessments. It is submitted that this level of government should pay the tax equivalent of the rate for school purposes. In Toronto, such rates represent more than 40% of the total tax levy.

Recommendation: Payments in lieu of taxes on property of the Crown in the right of Ontario should be equal to full taxes as are already paid on property of the Crown in the right of Canada.

University Properties - Educational

Universities occupy or hold property in this City having an assessed value, as determined in 1963, of \$56,902,824. This figure is undergoing rapid increase. The extensive recent acquisitions, made in the sole discretion of those institutions under their statutory authorities, have been at the expense of the tax revenues of the City. In the case of primary and secondary schools local taxpayers pay for only the service given to the local population. University enrolment comprises residents of many communities and citizens of many countries. Providing services for these people, whether of a direct or indirect nature, is scarcely the proper sole responsibility of the taxpayers of the municipality in which such institutions are located.

Recommendation: That the Province be requested to make grants in lieu of full municipal taxes with respect to properties of Universities and like institutions.

University Properties - Non-educational

Over and above the properties which are directly utilized for educational purposes and, hence, are tax-exempt, the University of Toronto is the owner of other holdings which are also tax-exempt under law. These properties are rented to others and used for commercial purposes. Pursuant to an agreement between the University and the City, the University, until January 1, 1965, has agreed to pay 77.54% of the real property taxes which would have been assessable against the owner(s) of such properties had they not been exempt from taxation. The City, in the meantime, has agreed to take no steps to compel the University to pay taxes in respect of such real property. Victoria University, which has recently leased substantial property to commercial interests, enjoys a similar exemption.

Recommendation: Subject to the agreement between the University and the City, such properties be assessed and taxed for full realty taxes.

Tax-Exempt Parking Facilities

In increasing degree, hospitals are providing parking facilities, available to the motoring public as well as for those visiting hospitals, for which fees are charged. Under the terms of The Assessment Act and the carefully-conforming wording of management or operational agreements with private entrepreneurs, such lots or garages are tax-exempt. Exemption of this nature applies to the considerable area used for parking in connection with the activities of the University of Toronto.

Recommendation: In these and any other such situations tax exemption be removed.

Cultural and Service Organizations

Mentioned under the section on Welfare was the extraordinary burden that municipalities which are commercial and industrial centres carry in respect of unemployment relief and the care of the indigent. The Province itself, being aware of this problem, has shown its recognition tangibly in the schedule of assistance granted under The Municipal Unconditional Grants Act. With this one exception, such centres have customarily been Legislatively regarded as places of considerable wealth, because of the existence of the business activities carried on within their borders and, hence, in need of less rate-reducing assistance than other places. It is once again mentioned that municipal taxes are not levied in accordance with an individual's ability to pay. Beyond this, however, is the regard which must be had for the demands which this very wealth makes upon rich and poor alike - its noblesse oblige, if you will. As one of the above-described commercial-industrial centres, Toronto supports Cultural, Service and other like organizations, having an assessment, exempt from taxation under Provincial statutes, of \$9,153,112. When one speaks of "standard of service" it is the standard created through the existence of such worthy organizations, serving the many without regard for municipal boundaries, that should be principally meant. These organizations spread their benefits widely but do so at the sole tax cost of the restricted-area few. This substantial form of wealth redistribution must receive its just acknowledgment when need for tax relief assistance is gauged, be it in the form of highway subsidy, educational grants or plain recision of responsibility.

Recommendation: That these organizations be required to pay for the municipal services provided or that Provincial grants be made, as has been suggested above for Universities.

Taxation of Bell Telephone Co.

The setting up of the Municipality of Metropolitan Toronto has created two unusual developments in the application of Provincial statutes, both adverse to the City of Toronto. The first has to do with the limitation placed upon the taxes payable by the Bell Telephone Co., being Section 13 of The Assessment Act. The tax-supported requirements of the Metropolitan Corporation form the largest portion of Toronto's tax bills - some 41.16% in 1963. The Toronto Board of Education and the Metropolitan Separate School Board account for another 22.39%. None of these requirements is controllable by City Council. Furthermore, it is Provincial legislation which establishes a rate against Commercial assessment - on which basis the Bell Telephone Co. taxes are computed - higher than that prevailing for Residential properties. The combination of the two foregoing factors has caused the statutory tax limitation to be exceeded. Nevertheless, it has been the general rate taxpayers of the City who alone had to absorb the resultant deficiency. Legislation which became operative this year will enable this revenue shortage to be distributed proportionately over all bodies concerned but it does nothing to eliminate the cause of the deficiency which, for 1964, amounts to \$455,260.88, as follows:

Taxes, based on assessment	- \$3,526,161.08
Taxes, as statutorily limited	- <u>3,070,900.20</u>
Deficiency	- <u>\$ 455,260.88</u>

Recommendation: That the limitation in The Assessment Act respecting taxation of the Bell Telephone Co. on its gross receipts be removed.

Unconditional Per Capita Grant

The second situation arises out of The Municipal Unconditional Grants Act. The grant under this Act goes to relieve taxation of residential-farm properties. In the Metropolitan Toronto area the grant is paid to Metro and the benefits thereof are distributed according to the residential-farm assessments of the component municipalities. This has the effect of causing Toronto to receive about one-third of this grant while being liable for nearly one-half of Metro's levies and is one of the significant factors contributing to the City's high tax rate. Had the City received a share of the grant calculated in the same manner used in determining the apportionment of all other grants, as well as all costs, the increased benefit would have been over \$1,000,000 in each of the years since 1956. Since this grant affects residential taxation only, it is the City's homeowners alone, who are already paying the highest rates in the Metropolitan area, who have been thus deprived. This inequitable condition still exists.

Recommendation: The manner in which the Metropolitan Corporation is required to distribute the Unconditional Per Capita Grant to the area municipalities be amended to provide a more realistic apportionment of benefit.

Miscellaneous

Generally speaking, this Brief has dealt with a long-term solution to some of the City's financial problems. It is now proposed to mention matters of concern within the framework of the existing legislation in respect of which the City suggests there should be immediate remedial action. Representations on most of these matters have previously been made to the Select Committee examining municipal statutes. Other submissions have been made to the Minister of Municipal Affairs and advice has been received that this Committee is the appropriate forum to consider them.

Interim Billing of Taxes

Attention is drawn first to the matter of interim levies. At the 1960-61 Session of the Legislature, The Municipal Act was amended by adding thereto Section 294a which empowers municipalities to impose a levy prior to the adoption of the current estimates, the amount of which is limited to what would be realized by applying to the current assessment the previous year's residential real property rate for public school supporters. This legislation has been utilized to advantage in the City of Toronto permitting the number of tax instalments on real property to be increased to six, spread over more than double the former payment period, as well as enabling borrowings to be considerably reduced. It is submitted that the existing legislation should be expanded in three respects to provide for:

1. The collection of business taxes on an interim billing basis.

2. The utilization of the commercial real property rate where applicable.
3. The collection of amounts from boards and commissions under Section 43 of The Assessment Act on an interim billing basis.

The City of Toronto has requested enactment of legislation to give effect to the foregoing. The Deputy Minister of Municipal Affairs has advised, by letter, that these are matters which should be dealt with by the Ontario Committee on Taxation before legislative amendments are introduced.

Harbour Properties

It is next submitted that there is a serious omission in respect of the application of Section 43 in that its provisions do not extend to a harbour commission, the lands of which are exempt under Section 4, Paragraph 9, of The Assessment Act, it being a public commission. For many years, the terminal facilities of the Toronto Harbour Commission were taxed because of being tenant-occupied. More recently, the Commission has operated its own terminal facilities and the assessment appeal tribunals have held that such are now exempt. The resulting loss in revenue to the City and the Metropolitan Corporation is a serious one which should be alleviated by amending Section 43 to include within the definition of "public utility" lands and buildings of a harbour commission actually used for its purposes. A further anomaly has to do with parking lots operated by the Toronto Harbour Commission. At present, such are exempt under Paragraph 9 of Section 4 and are not subject

to the payment of an amount under Section 43. Until recently, such lands were taxed in the ordinary way because Paragraph 9 had not exempted lands used for the parking of motor vehicles. This situation was altered at the 1960-61 Session of the Legislature by the amendment of Paragraph 9 of Section 4 so as to exempt the property of municipal parking authorities. A complementary amendment to Section 43 requires such authorities to pay amounts under that section. The resulting exemption of harbour commission parking facilities is inexplicable and should be corrected by restoring the legislation to what it previously was. Legislation should also provide that taxes so paid would form part of the municipality's general revenues.

Recommendation: That the foregoing be legislatively implemented.

Collection of Business Taxes

The provisions of The Assessment Act pertaining to business taxes require extensive revision. This is quite understandable having regard for the fact that they are in basically the same form as when enacted over sixty years ago. The matter of collection of business taxes is always a difficult one because such are not a lien on land. The problem has been accentuated in recent years by The Bankruptcy Act, which not only reduced the degree of preference which the municipality previously enjoyed but in many cases eliminated it. Section 95 of The Bankruptcy Act restricts a municipality's priority for taxes not a lien on land to an amount not exceeding the value of the interest of the bankrupt in the property in respect of which the taxes were imposed as declared by

the trustee. It has been held that where the bankrupt is a monthly tenant he has no interest in the property in respect of which the taxes were imposed and therefore the municipality enjoys no priority. The same situation would obtain where a lease provides for its termination upon the bankruptcy of the lessee. Basically, it is felt that such judicial decisions overlook the fact that business taxes are not imposed in respect of property at all. Rather, they are a personal tax calculated by reference to the assessed value of the real property occupied or used. Representations to the Minister of Justice to alter the municipality's priority for business taxes have been of no avail. Failing a change in that legislation, The Assessment Act should be amended to enhance the municipality's position. One way would be to provide that business taxes shall be in respect of the whole business undertaking so that the priority would not be restricted to the debtor's interest in the real property from which the business is being operated.

Another problem in connection with business taxes stems from the so-called "non-profit associations", formed to enable businesses and trades to take collective rather than individual action in promoting their respective interests. Because their costs of operation are divided among the members of the group and any surplus goes to reduce subsequent levies, such organizations are able to establish that there is no profit-making motive in their operations. As it has been repeatedly held that a profit-making ingredient is essential to establishing liability for business assessment, such associations are relieved of responsibility. In view of the fact that associations of this sort are carrying on

collectively what their members would otherwise have to do individually, they should be liable for business assessment and The Assessment Act should be amended accordingly. The City of Toronto has already asked for the passing of the necessary legislation. As was mentioned earlier, in respect of interim tax levies, the Deputy Minister of Municipal Affairs has advised by letter that this matter should be dealt with by the Ontario Committee on Taxation before legislative amendments are introduced.

Two more items pertaining to business taxes must be briefly mentioned. The first has to do with the overly wide exemption from the provisions of distress dealt with in subsection 4 of Section 121. This provides that the goods and chattels exempt by law from seizure under execution are not liable to seizure by distress. In many cases this completely nullifies a municipality's opportunity to recover. It is submitted that this provision should be repealed. Secondly, the Act should be clarified insofar as concerns the appropriate rate of assessment where various kinds of business are being conducted. It is now provided that the determining criterion is "the chief or preponderating business". Because the assessment appeal tribunals have refrained from providing any explicit definition as to what such phrase means the time has come for the Legislature to do so.

Recommendation: That the requisite statutory amendments be made to strengthen the municipality's position in the matters of the levying and collection of business taxes.

Cancellation, Reduction or Refund of Taxes

One of the bases upon which an application may be made for cancellation, reduction or refund of taxes under Section 131 of The Assessment Act is where a person has been "overcharged by reason of any gross or manifest error". The City has felt that this provision pertained to errors committed in respect of the taxation itself which arose after the certification of the roll. However, the Court of Appeal has recently upheld a County Judge's decision granting a refund of taxes on the basis of a gross or manifest error where, it is submitted, the subject matter should have been dealt with on the basis of an assessment appeal under Section 72. What happened was that the assessment was based on inaccurate information furnished an assessor by the manager of an apartment house. No appeal was taken from the assessment. Instead, after the taxes had been billed, an application was made under Section 131. It is submitted that if such application falls under Section 131 the provisions of the Act dealing with the binding nature of the roll as finally certified and the limitation periods respecting the launching of assessment appeals are quite ineffectual.

Recommendation: That the paragraph in question be amended to restrict its application to errors committed after the certification of the assessment roll.

Redevelopment for Blighted Industrial or Commercial Areas

Blight is not restricted to residential areas. In the City of Toronto may be found industrial and commercial areas that stand in need of redevelopment. Urban renewal must include all uses within a City and cannot be restricted to residential uses any more than could the original development. Without both, the urban character disappears.

To qualify for financial assistance in acquisition and clearance from the Federal Government under the terms of The National Housing Act, a substantial part of the area at the time of acquisition must be or, after redevelopment, will be used for residential purposes. This provision disqualifies for assistance existing blighted industrial or commercial areas for which redevelopment in similar uses is proposed.

Whereas The Housing Development Act does not specifically withhold Provincial Government assistance for industrial and commercial redevelopment, it is well-known that the policy laid down by the ex-Prime Minister, the Hon. Leslie M. Frost, in April, 1959, is still adhered to, namely, that the purposes of The National Housing Act and The Housing Development Act are interpreted to be primarily and fundamentally to assist in the betterment of housing only.

It is essential that assistance from senior governments in urban renewal be broadened to include all aspects and uses in the City in order that a balanced development of the entire community may be obtained.

Recommendation: It is therefore recommended that urban renewal legislation be broadened to permit financial assistance for comprehensive programs of renewal so that commercial, industrial and other measures may proceed along with housing.

Provincial Grants

The extent of assistance rendered by the Province varies in substantial degree from one municipality to another and between classes of municipalities. In essence this variation has followed the path that the larger and more urban a municipality was, the less it stood in need of tax-reduction assistance. "Less" is relative, being in proportion to expenditures.

An urban centre, by its very nature, contributes most to the revenues of the Province and the country. This circumstance may have been the cause for mistaking total wealth for individual worth and for the conclusion that because the complex (the business community) could give so much, the unit (the urban municipality) could be regarded as little in need of outside assistance. Yet no government has greater problems related to its residents nor finds greater poverty associated with many of its people than that of a large city.

As a case in point the costs of and assistance received towards the administration of justice is recited. In the Metropolitan Toronto area the provision of this very necessary service called for an outlay, in 1963, of \$26,022,939, or \$16.00 per capita. Towards this the Province contributed \$2,261,518, or under 9%. This is substantially below the rate of assistance provided for other municipalities. Yet much of the enforcement costs borne by the ratepayers of this area are with respect to Provincial laws (and through the enforcement of which revenue flows to the Province). Rather than increasing its aid the Province, in 1964, revised The Municipal Unconditional Grants Act to remove therefrom

the former reference to \$1.00 per capita of such grant being towards the previously indicated recognition of the burden of administration of justice. One other example may suffice. Towards the achievement of highly advocated physical fitness the City has constructed recreation centres as well as other major facilities - at very considerable cost. Even though the City's investment, per centre, is some \$750,000, it is entitled to only the \$5,000 Provincial grant (without swimming pool or \$10,000 with) that a project not one-quarter the cost (which would suffice elsewhere) would also receive. Where lack of grants, as in this case or in the construction of roads, adds to the debentured costs, the adverse effect can be doubled since, for every extra dollar borrowed, two may have to be repaid.

Recommendation: That urban centres be given grants based upon the same ratio of assistance to cost that applies to other municipalities.

Recaptured Costs

To a very considerable degree the value that land has is due to the expenditure of public funds for water and sewer services, highways, schools, etc. - the costly process of moving from completely undeveloped to wholly serviced real estate. Assessed values do not and cannot completely keep pace with the changing worth of property so that municipalities are not able to reflect, through their current revenues, full and equitable recovery of the results of the investments made by them in municipal improvements.

The Committee may well decide that municipalities are indeed entitled to share in property values enhanced through such outlays. It is suggested that recapture could occur in two fashions. In the first place the Province might provide for the municipality's sharing in the succession duties of a deceased resident, insofar as they are attributable to the value of realty located within the municipal boundary. Secondly, in the case of properties which have previously been exempt from taxation, the municipality might be entitled, upon their being sold, to the taxes which would have been payable if such had been calculated, for the three-year period immediately prior to their sale, at the price at which they were sold.

Farm Property Assessment

Recent amendments to The Assessment Act have had the effect of causing farm lands, whether occupied by the owner or a tenant, to be assessed at unreasonably low rates. Thus, the valuation of the residences of the owner or tenant farmer and even those occupied by their employees is restricted to that applicable to farm lands used for farming purposes only and not to that of adjoining residential land.

In the Metropolitan Toronto area this low rating of farm property transfers more of the tax burden to the urban taxpayer.

Recommendation: That The Assessment Act be amended to make clear that the portion of farm property used for residential accommodation be assessed on the same basis as that of adjoining residential property.

Municipal Tax Relief for Certain Homeowners

The City of Toronto advises that the Council of the Municipality of Metropolitan Toronto is studying ways and means whereby homeowners, such as senior citizens, persons on low, fixed incomes, etc., who have limited financial resources, might receive assistance in meeting their municipal taxes. The City of Toronto concurs in the need for a study of this matter and recommends that the Ontario Committee on Taxation undertake its own review of the situation.

